

SUPPLEMENT NO. 5
FB Study 2/01

FINANCIAL PRESSURES

Issue: Increasing financial pressures have affected all college football programs. NCAA member institutions have committed additional resources to meet an increasing "arms race" to maintain competitive equity, which for some institutions involves the assumption of significant indebtedness for capital improvements.

Report: The financial data referenced above were obtained from the 1999 NCAA Revenues and Expenses of Divisions I and II Intercollegiate Athletics Programs. All coeducational institutions of higher education that participate in any federal student financial aid programs and have intercollegiate athletics programs are required by the Equity in Athletics Disclosure Act (EADA) to provide specific information on these programs. The primary objective of the Revenues and Expenses report is to present data concerning sources of revenue (ticket sales, television, etc.) and objects of expenditures (grants-in-aid, coaches' salaries, etc.). Revenue and expense data are categorized by men's and women's programs and by the major sports of football and basketball. For the 1999 Revenue and Expenses study, Division I institutions had a response rate of 87 percent, which provides a significant sampling of Division I membership. Copies of this report can be obtained from the NCAA Research department which also maintains a database of the EADA information.

If the NCAA Football Study Oversight Committee would need additional data outside the Revenues and Expenses report, the research staff is able to provide data more specific to football revenues and expenses as well as conference information. The staff can also provide the same data analyzed in different ways (e.g., ranges instead of averages).

Findings – Division I-A: According to the 1999 NCAA Revenues and Expenses study, the number of Division I-A institutions reporting overall revenues exceeding overall expenses increased since 1997 from 43 to 48. Of those 48 institutions, the profits more than doubled since 1997 from \$1.7 million to \$3.8 million (excluding institutional support).

Division I Football Programs:

- Division I-A schools reporting net profits in the sport of football decreased from 70 to 67 over the two-year period. However, while the number of schools making a profit decreased, the average profit for schools making money went from \$5 million to \$6.4 million. (See Chart 1).
- There were 37 (or 36 percent) Division I-A institutions reporting football losses (out of 104 schools reporting), with an average deficit of \$1.0 million. (See Chart 1).
- There were 77 (or 81 percent) Division I-AA institutions reporting football losses (out of 95 schools reporting), with an average deficit of \$630,000. (See Chart 2).
- The average expenses for Division I-A football programs rose from \$4.4 million to almost \$5.3 million in this two-year period (a 20 percent increase). (See Chart 3).
- The average revenues for Division I-A football programs rose from \$7.6 million to just over \$9 million in this two-year period (an 18 percent increase). (See Chart 3).

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- The largest football expense items for schools appear to be salaries and grants-in-aid. (See Chart 4).

The average deficit for schools with shortfalls remained relatively stable. Couple that with the increase in profits for the profitable schools and the difference between the "haves" and "have-nots" seems to be increasing (See Chart 1).

According to NCAA Revenues and Expenses consultant Dan Fulks, Ph.D., CPA, since the Division I-A football expenses average \$5.3 million, while I-AA football expenses average \$1.1 million (only 20 percent of I-A expenses), schools outside of I-A have relatively small expenses. Thus, losses are not significant in I-AA when half of the 77 schools losing money on football lost less than \$540,000. This leads him to believe that the "arms race" is being waged by only the top half of Division I-A institutions where football expenses are the highest. Dan also states that of the Division I-A schools showing football losses, 40 percent report losses of less than \$700,000 which represents a small portion of the institution's total budget.

Findings -- Division I Conferences: Looking further into specific data on football programs from the 1999 NCAA study:

- The average football revenues for Division I-A institutions comprising the six major (or "equity") conferences were more than \$14 million, whereas the average football revenues for institutions in the remaining conferences were approximately \$2.6 million. (See Chart 5).
- The average football expenses for the six major conferences were approximately \$7.3 million compared to approximately \$3.1 million for the remaining conferences. (See chart 5).
- For the six major conferences, the largest football revenue source is ticket sales to the public, which was more than \$6 million on average. While it was also the largest source of football revenue for the non-major conferences, the total was just under \$1 million on average. (See chart 6 for largest revenue sources).
- The largest football expense for each group was grants-in-aid, with \$1.4 million for the major conferences and \$1 million for the remaining conferences. (See chart 7 for largest expenses).

It appears that the difference in football expenses comes not in direct support of the athletes, but in other parts of the football program. For instance, there is a significant difference in football coaches' salaries with the six major conferences spending \$1.1 million on average while the remaining conferences spend \$645,000 on average.

Action: The Division I Football Issues Committee will study pressures affecting football budgets and the increasing economic pressures of postseason football. The following are possible topics to be reviewed:

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- Determine if financial data from the 1999 NCAA Revenues and Expenses report are ample and, if not, consult further with the NCAA research staff for ways to analyze the data more specific to football concerns as directed by the committee.
- Review the recent trends of rising costs and expenditures.
- Review Division I-A and Division I-AA attendance problems.
- Evaluate the increasing separation of "haves" and "have nots."
- Deficit spending associated with bowl game participation.

The National Collegiate Athletic Association
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Average Amount of Profits and Deficits for Division IA Football Over Time

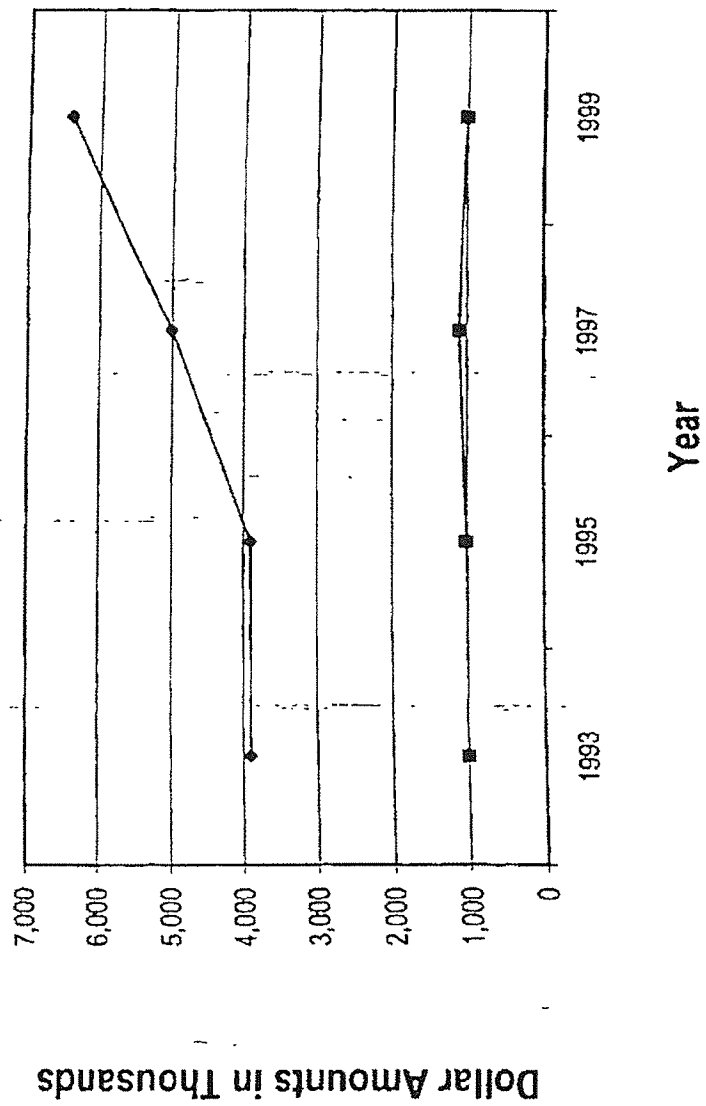


Chart 1

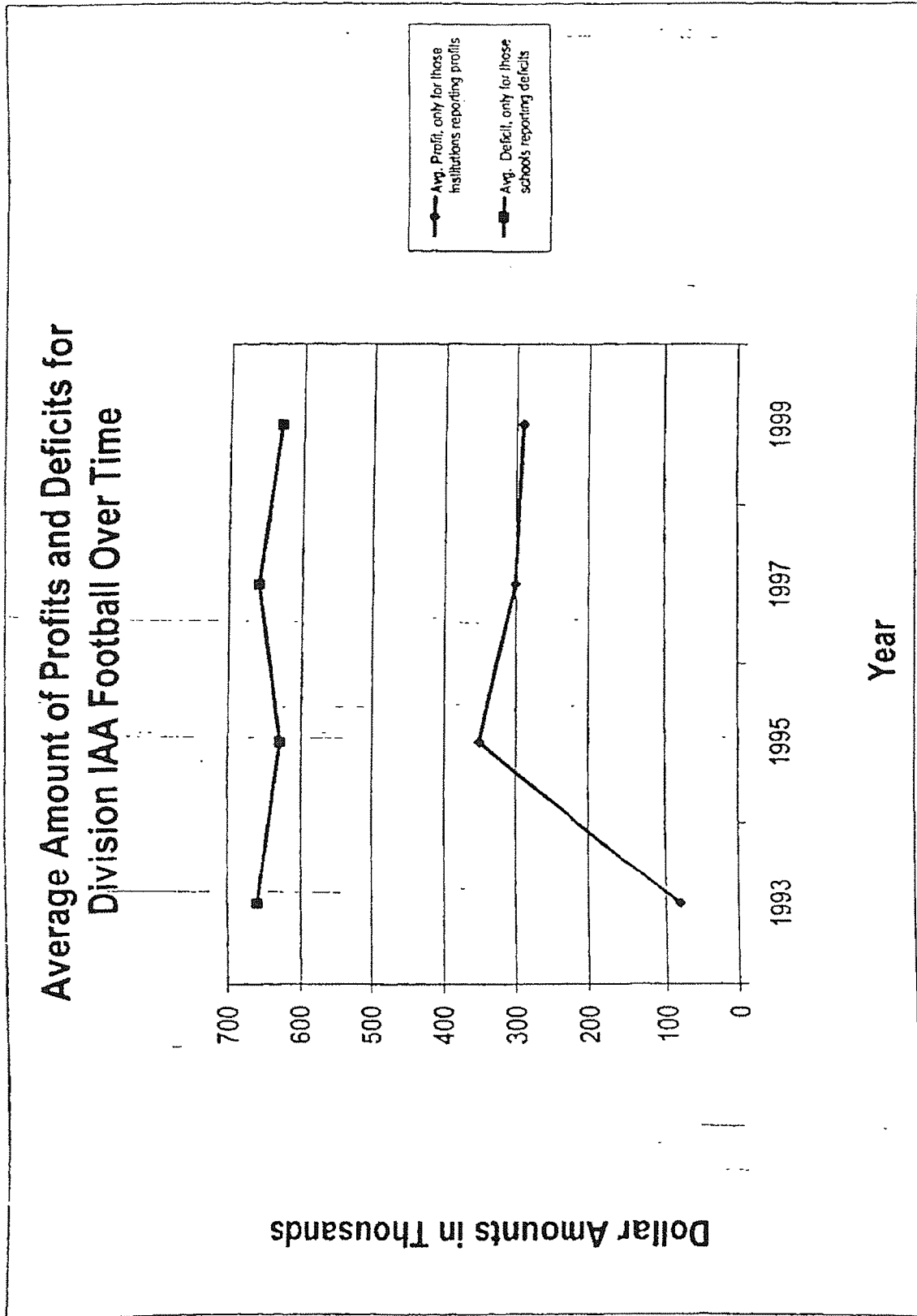


Chart 2

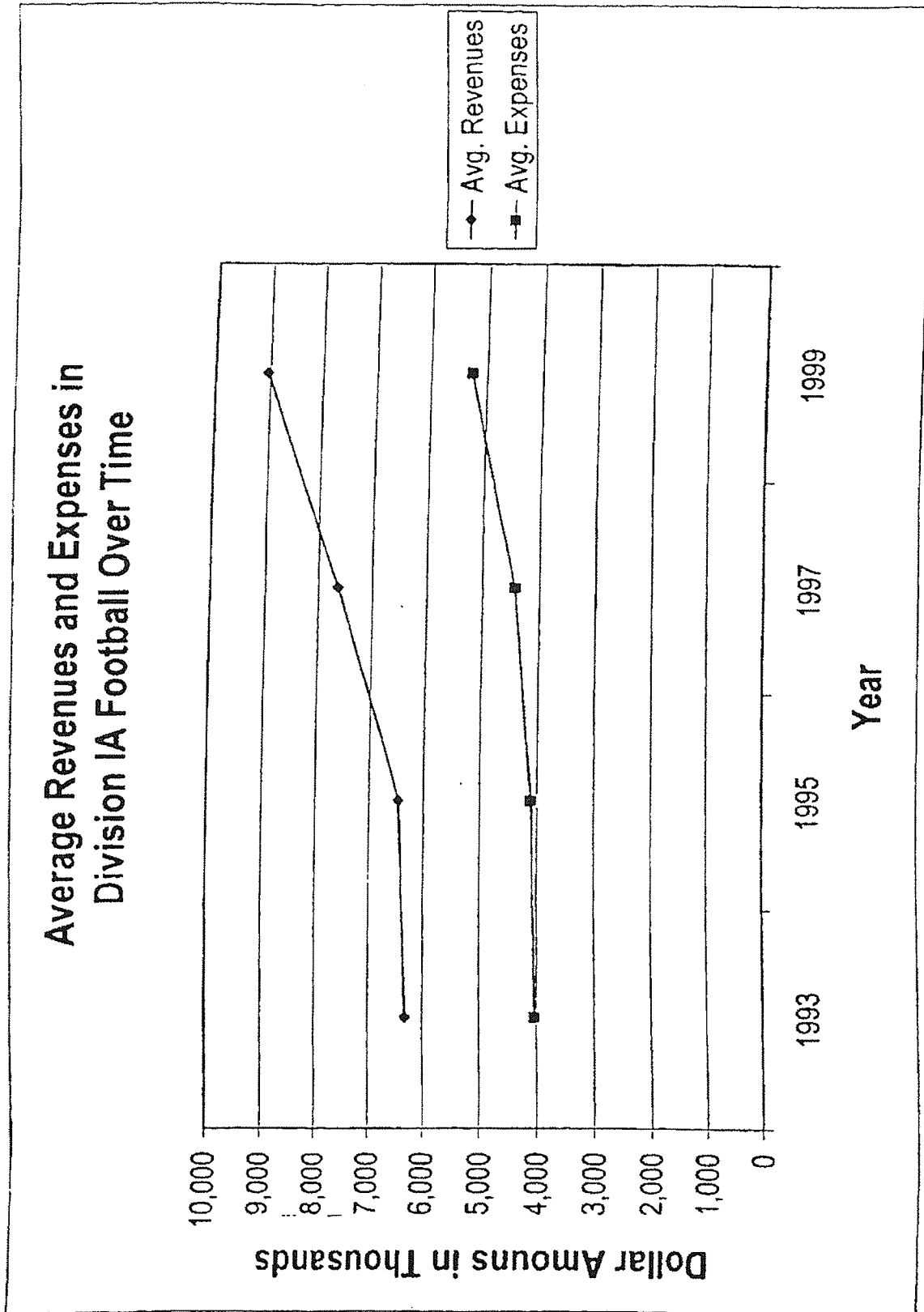


Chart 3

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1999 Divisions IA and IAA Football Selected Expenses Comparison

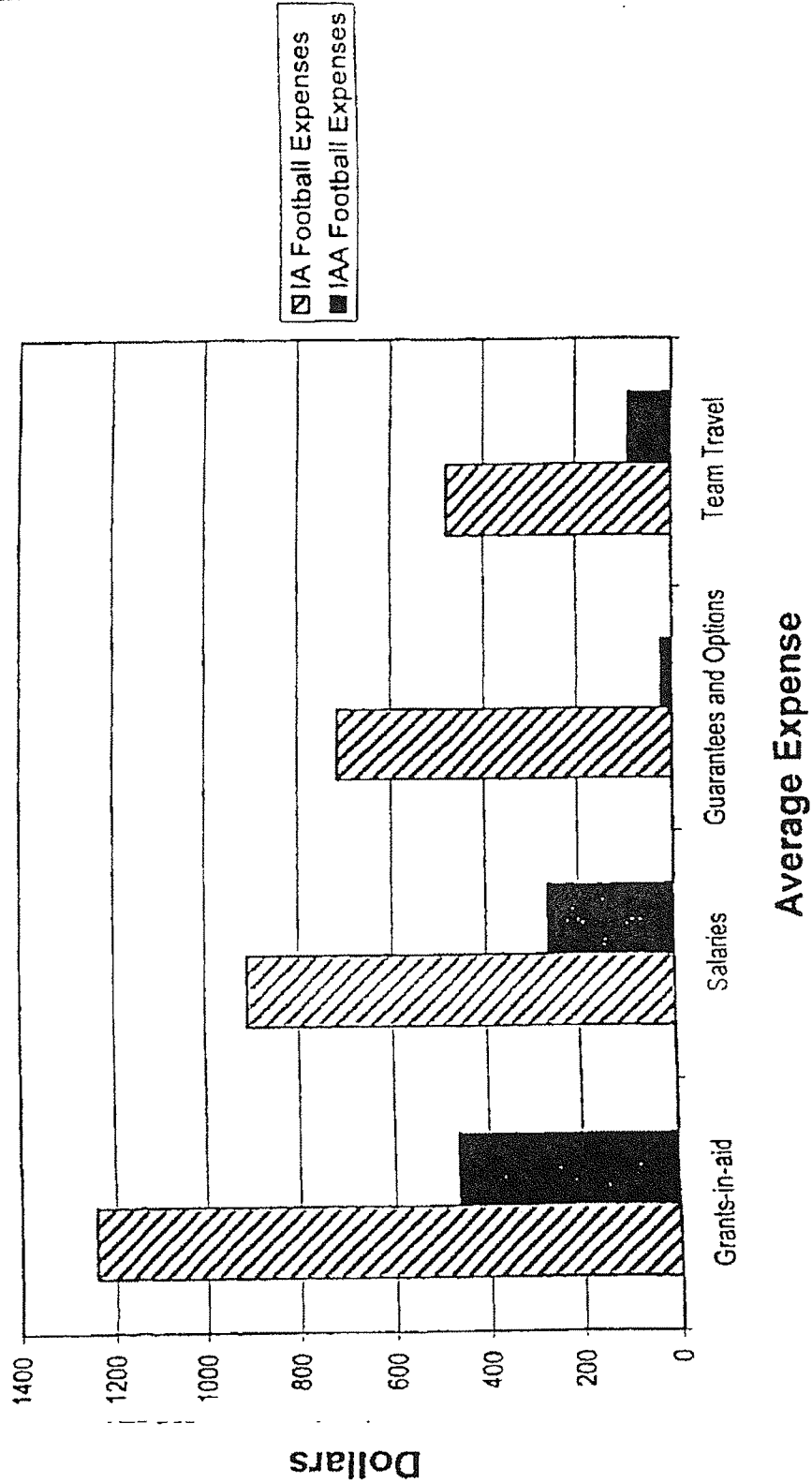


Chart 4

1999 Division IA Football - Total Revenues and Total Expenses Comparing I-A Conferences

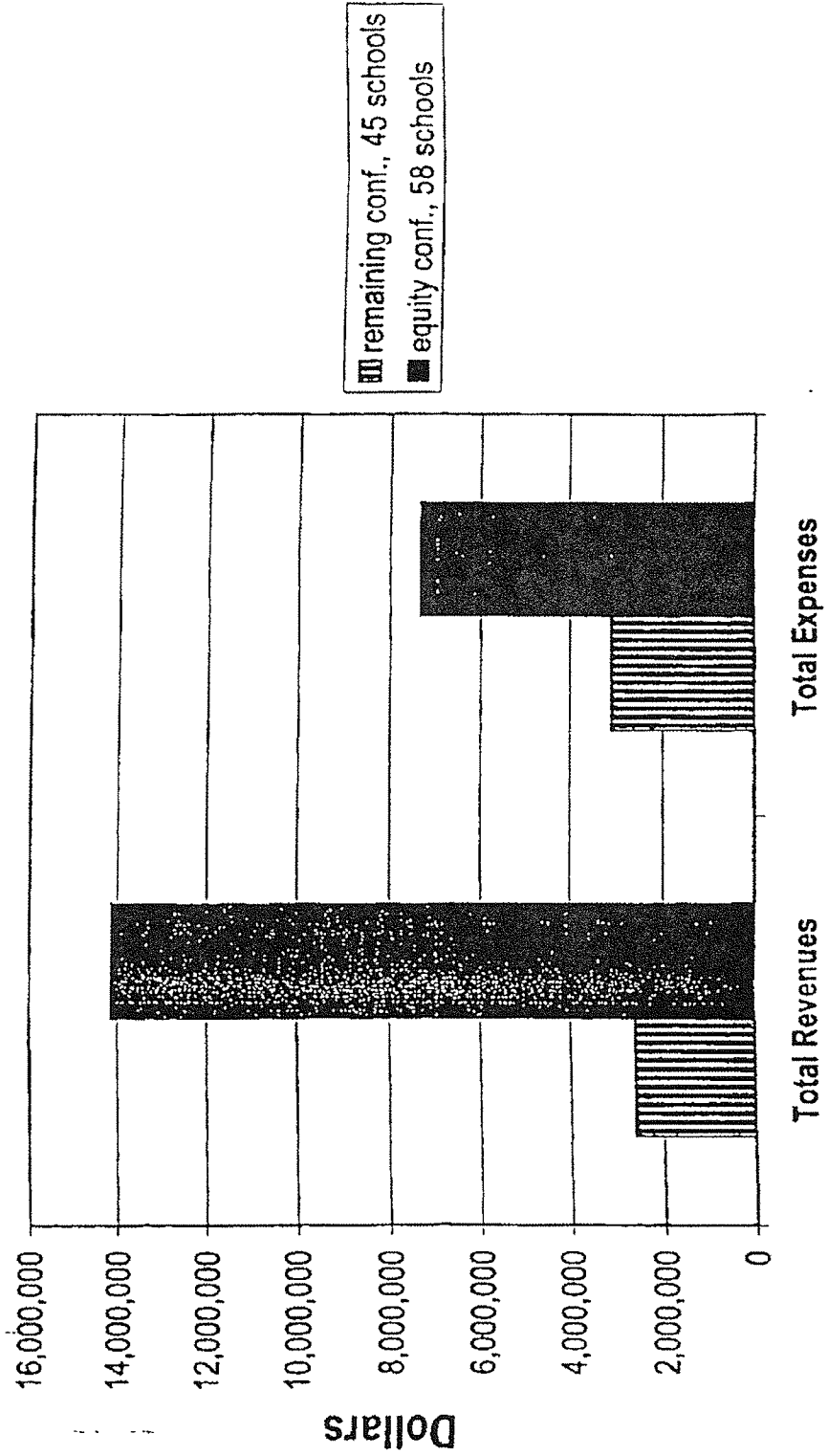
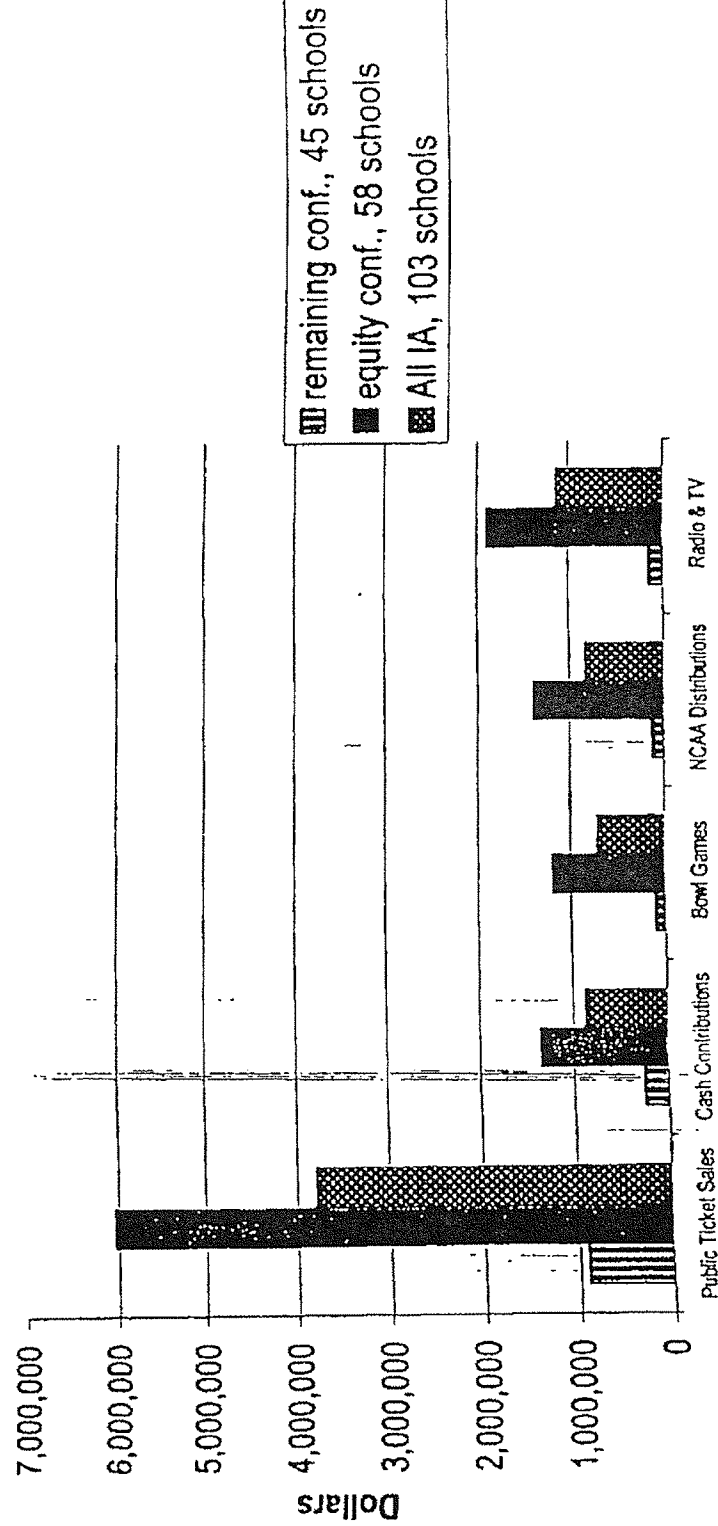


Chart 5

1999 Division IA Football - Selected Revenues Comparison



Average Revenue

Chart 6

1999 Division IA Football - Selected Expenses Comparison

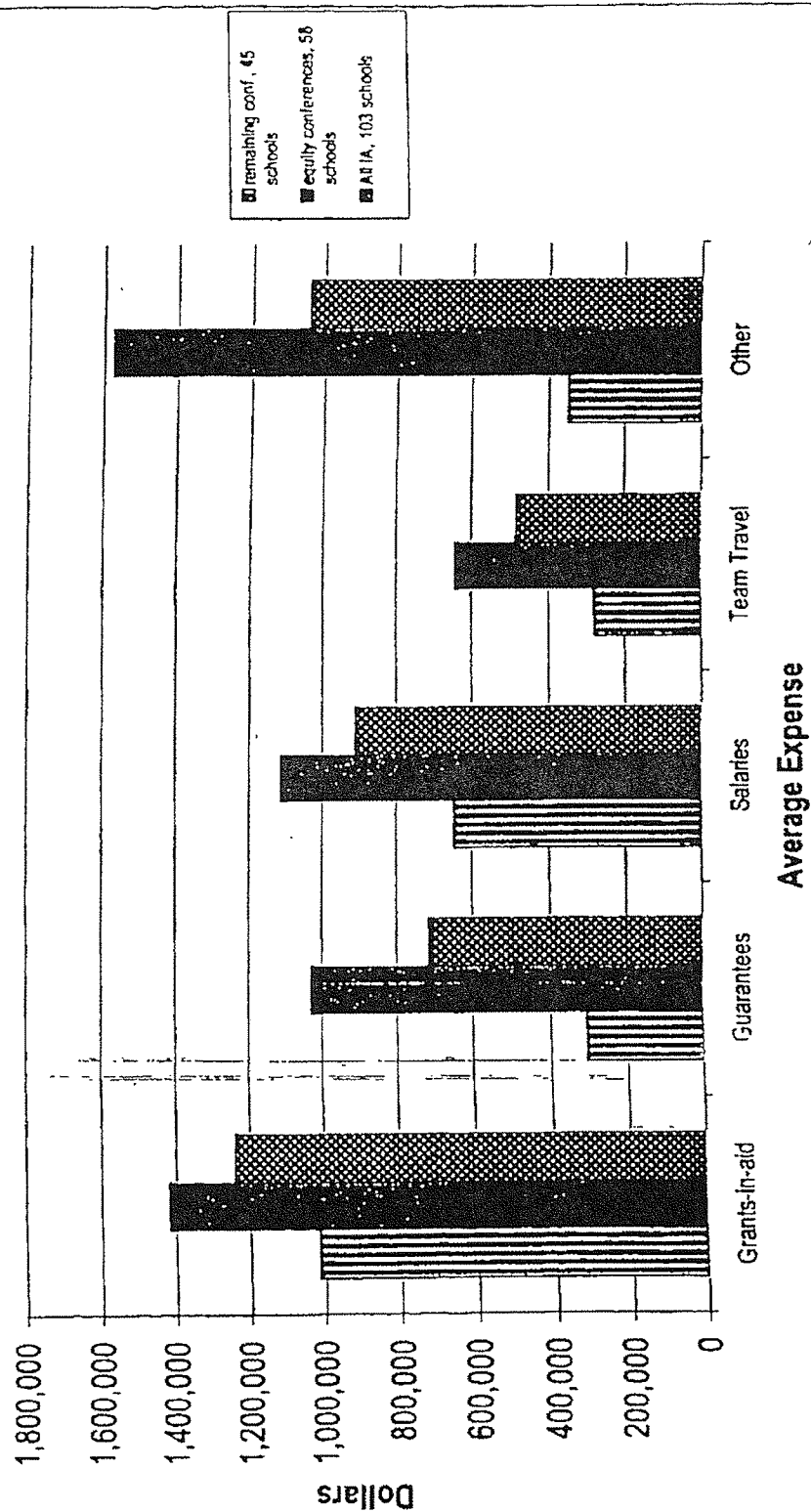


Chart 7

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